



# Senate

General Assembly

**File No. 751**

*January Session, 2015*

Substitute Senate Bill No. 1080

*Senate, April 28, 2015*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-633 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective July 1, 2015*):

3 The Commissioner of Revenue Services shall grant a credit against  
4 any tax due under the provisions of chapter 207, 208, 209, 210, 211 or  
5 212 in an amount not to exceed [sixty] eighty per cent of the total cash  
6 amount invested during the taxable year by the business firm in  
7 programs operated or created pursuant to proposals approved  
8 pursuant to section 12-632. [, provided a tax credit not to exceed one  
9 hundred per cent of the total cash amount invested during the taxable  
10 year by the business firm may be allowed for investment in certain  
11 energy conservation projects as provided in subdivisions (1) and (2) of  
12 section 12-635.]

13       Sec. 2. Section 12-634 of the general statutes is repealed and the  
14 following is substituted in lieu thereof (*Effective July 1, 2015*):

15       The Commissioner of Revenue Services shall grant a credit against  
16 any tax due under the provisions of chapter 207, 208, 209, 210, 211 or  
17 212 in an amount not to exceed [sixty] eighty per cent of the total cash  
18 amount invested during the taxable year by the business firm in  
19 programs operated or created pursuant to proposals approved  
20 pursuant to section 12-632 for planning, site preparation, construction,  
21 renovation or acquisition of facilities for purposes of establishing a  
22 child day care facility to be used primarily by the children of such  
23 business firm's employees and equipment installed for such facility,  
24 including kitchen appliances, to the extent that such equipment or  
25 appliances are necessary in the use of such facility for purposes of  
26 child day care, provided: (1) Such facility is operated under the  
27 authority of a license issued by the Commissioner of Early Childhood  
28 in accordance with sections 19a-77 to 19a-87, inclusive, (2) such facility  
29 is operated without profit by such business firm related to any charges  
30 imposed for the use of such facility for purposes of child day care, and  
31 (3) the amount of tax credit allowed any business firm under the  
32 provisions of this section for any income year may not exceed fifty  
33 thousand dollars. If two or more business firms share in the cost of  
34 establishing such a facility for the children of their employees, each  
35 such taxpayer shall be allowed such credit in relation to the respective  
36 share, paid or incurred by such taxpayer, of the total expenditures for  
37 the facility in such income year. The commissioner shall not grant a  
38 credit pursuant to this section to any taxpayer claiming a credit for the  
39 same year pursuant to section 12-217x.

40       Sec. 3. Section 12-635 of the general statutes is repealed and the  
41 following is substituted in lieu thereof (*Effective July 1, 2015*):

42       The Commissioner of Revenue Services shall grant a credit against  
43 any tax due under the provisions of chapter 207, 208, 209, 210, 211 or  
44 212: (1) In an amount not to exceed [one hundred] eighty per cent of  
45 the total cash amount invested during the taxable year by the business

46 firm in programs operated or created pursuant to proposals approved  
47 pursuant to section 12-632 for energy conservation projects directed  
48 toward properties occupied by persons, at least seventy-five per cent  
49 of whom are at an income level not exceeding one hundred fifty per  
50 cent of the poverty level for the year next preceding the year during  
51 which such tax credit is to be granted; (2) in an amount equal to [one  
52 hundred] eighty per cent of the total cash amount invested during the  
53 taxable year by the business firm in programs operated or created  
54 pursuant to proposals approved pursuant to section 12-632 for energy  
55 conservation projects at properties owned or occupied by charitable  
56 corporations, foundations, trusts or other entities as determined under  
57 regulations adopted pursuant to this chapter; (3) in an amount equal to  
58 [one hundred] eighty per cent of the total cash amount invested during  
59 the taxable year by the business firm in a comprehensive college access  
60 loan forgiveness program located in an "educational reform district" as  
61 defined in section 10-262u, that has established minimum eligibility  
62 criteria including, but not limited to, years of enrollment in the  
63 educational reform district, grade point average, attendance record  
64 and loan forgiveness prerequisite; or (4) in an amount not to exceed  
65 [sixty] eighty per cent of the total cash amount invested during the  
66 taxable year by the business firm (A) in employment and training  
67 programs directed at youths, at least seventy-five per cent of whom are  
68 at an income level not exceeding one hundred fifty per cent of the  
69 poverty level for the year next preceding the year during which such  
70 tax credit is to be granted; (B) in employment and training programs  
71 directed at handicapped persons as determined under regulations  
72 adopted pursuant to this chapter; (C) in employment and training  
73 programs for unemployed workers who are fifty years of age or older;  
74 (D) in education and employment training programs for recipients in  
75 the temporary family assistance program; or (E) in child care services.  
76 Any other program which serves persons at least seventy-five per cent  
77 of whom are at an income level not exceeding one hundred fifty per  
78 cent of the poverty level for the year next preceding the year during  
79 which such tax credit is to be granted and which meets the standards  
80 for eligibility under this chapter shall be eligible for a tax credit under

81 this section in an amount equal to [sixty] eighty per cent of the total  
82 cash invested by the business firm in such program.

83 Sec. 4. Section 12-635a of the general statutes is repealed and the  
84 following is substituted in lieu thereof (*Effective July 1, 2015*):

85 The Commissioner of Revenue Services shall grant a credit against  
86 any tax due under the provisions of chapter 207, 208, 209, 210, 211 or  
87 212 in an amount not to exceed [sixty] eighty per cent of the total cash  
88 amount invested during the taxable year by the business firm in  
89 community-based alcoholism prevention or treatment programs  
90 operated or created pursuant to proposals approved pursuant to  
91 section 12-632.

92 Sec. 5. Subsection (a) of section 12-702a of the general statutes is  
93 repealed and the following is substituted in lieu thereof (*Effective from*  
94 *passage*):

95 (a) Any individual who has made a joint return under this chapter  
96 may elect to seek relief under the provisions of subsection (b) of this  
97 section and if such individual is eligible to elect the application of  
98 subsection (c) of this section, such individual may, in addition to any  
99 election under subsection (b) of this section, elect to limit such  
100 individual's liability for any deficiency with respect to such joint return  
101 in the manner prescribed under subsection (c) of this section. Any  
102 individual who has made a joint return under this chapter may elect to  
103 seek relief under the provisions of subsection (f) of this section, even if  
104 such individual is not eligible to seek relief under subsection (b) or (c)  
105 of this section.

106 Sec. 6. Subsections (f) to (h), inclusive, of section 12-702a of the  
107 general statutes are repealed and the following is substituted in lieu  
108 thereof (*Effective from passage*):

109 (f) Under procedures prescribed by the commissioner, if taking into  
110 account all the facts and circumstances, it is inequitable to hold such  
111 individual liable for any unpaid tax or any deficiency, or any portion

112 of [either] such unpaid tax or deficiency, and relief is not otherwise  
113 available to such individual under this section, the commissioner may  
114 relieve such individual of such liability.

115 (g) The commissioner [shall] may adopt regulations, in accordance  
116 with chapter 54, as are necessary to carry out the provisions of this  
117 section, including regulations providing the opportunity for an  
118 individual to have notice of, and an opportunity to participate in, any  
119 administrative proceeding with respect to an election made under this  
120 section by the other individual filing the joint return.

121 (h) The provisions of this section shall be applicable with respect to  
122 any liability arising after May 27, 1999, and any liability arising on or  
123 before May 27, 1999, if such liability remains unpaid as of said date,  
124 provided the two-year period to make an election under subsection (b)  
125 or (c) of this section shall not expire before the date that is two years  
126 after the date of the first collection activity after May 27, 1999.

127 Sec. 7. Subsection (b) of section 12-706 of the general statutes is  
128 repealed and the following is substituted in lieu thereof (*Effective July*  
129 *1, 2015*):

130 (b) [Every] Each employer required to deduct and withhold tax  
131 under this chapter from the wages of an employee shall furnish to each  
132 such employee [in] with respect to the wages paid by such employer to  
133 such employee during the calendar year, on or before January thirty-  
134 first of the next succeeding year, a written statement as prescribed by  
135 the [commissioner of revenue services] Commissioner of Revenue  
136 Services showing the amount of wages paid by the employer to the  
137 employee, the amount deducted and withheld as tax, and such other  
138 information as said commissioner shall prescribe. Each such employer  
139 shall file a copy of such written statement with the Commissioner of  
140 Revenue Services on or before said January thirty-first date.

This act shall take effect as follows and shall amend the following sections:
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Section 1	<i>July 1, 2015</i>	12-633
Sec. 2	<i>July 1, 2015</i>	12-634
Sec. 3	<i>July 1, 2015</i>	12-635
Sec. 4	<i>July 1, 2015</i>	12-635a
Sec. 5	<i>from passage</i>	12-702a(a)
Sec. 6	<i>from passage</i>	12-702a(f) to (h)
Sec. 7	<i>July 1, 2015</i>	12-706(b)

**FIN**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

**Sections 1 - 4** make all investments under the Neighborhood Assistance Act program eligible for an 80% tax credit. This does not result in any fiscal impact as it does not alter the aggregate \$5 million annual cap on credits allowed under the program. In each of the last three fiscal years, the \$5 million cap has been reached.

**Sections 5 & 6** conform certain state tax deadlines with comparable federal deadlines, which does not result in any fiscal impact.

**Section 7** requires employers to file a copy of employees' W2 with the Department of Revenue Services by January 31 annually, which does not result in any fiscal impact.

***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

**OLR Bill Analysis****sSB 1080****AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES.****SUMMARY:**

This bill:

1. makes all business contributions and investments under the Neighborhood Assistance Act (NAA) program eligible for an 80% tax credit, rather than 100% or 60% depending on the type of contribution or investment;
2. eliminates the two-year deadline by which certain “innocent spouses” may apply to the Department of Revenue Services (DRS) for relief from paying taxes, interest, and penalties for improperly reported or omitted items on their tax return;
3. allows, rather than requires, the DRS commissioner to adopt regulations necessary to carry out the innocent spouse relief provisions; and
4. pushes up, from the last day of February or March to January 31, the date by which employers must submit to DRS copies of the wage and tax statements (i.e., state copies of federal Form W-2) they provide to employees.

EFFECTIVE DATE: July 1, 2015, except the innocent spouse provisions are effective upon passage.

**§§ 1 - 4 — NAA CREDIT AMOUNTS**

By law, the NAA program provides business tax credits to businesses that contribute or invest at least \$250 in municipally and DRS-approved community activities and programs, including



neighborhood assistance, job training, education, child care, crime prevention, open space, and energy conservation programs. Under current law, the tax credits are (1) 100% for contributions to qualifying energy conservation projects and college loan forgiveness programs and (2) 60% for all other eligible contributions and investments. The bill makes all qualifying NAA contributions and investments eligible for an 80% tax credit.

By law, the annual limits on NAA credits are (1) \$150,000 per business (\$50,000 for investments in child care facilities) and (2) \$5 million for all businesses. DRS must prorate the tax credits available to businesses if the total amount of credits claimed exceeds the \$5 million cap. The credits apply against the corporation, insurance premium, and other specified business taxes.

#### **§§ 5 & 6 — RELIEF FOR INNOCENT SPOUSES**

The law allows the DRS commissioner to excuse a taxpayer who files a joint tax return from paying taxes, interest, and penalties if his or her spouse (or former spouse) improperly reported or omitted items on their joint tax return (i.e., innocent spouses). It establishes three types of relief for such taxpayers: (1) innocent spouse relief, (2) separation of liability relief, and (3) equitable relief (see BACKGROUND).

Under current law, the taxpayer must apply for relief within two years after the DRS commissioner first attempted to collect the tax. The bill eliminates this deadline for taxpayers applying for equitable relief but maintains it for those applying for innocent spouse or separation of liability relief.

As under current law, taxpayers applying for equitable relief must do so according to procedures the DRS commissioner prescribes.

#### **§ 7 — SUBMITTING FEDERAL W-2 FORMS TO DRS**

Existing law requires employers, annually by January 31, to provide each employee with a written statement that shows the amount of wages paid and income tax deducted and withheld from such wages

during the previous calendar year (i.e., a federal Form W-2). Currently, employers must file copies of these forms with DRS, generally by the last day of (1) February, for employers filing paper returns, and (2) March, for employers filing electronic returns (Conn. Agencies Reg., § 12-707-1(c)). The bill requires employers to file them by January 31 each year.

## **BACKGROUND**

### ***Types of Relief for Innocent Spouses***

The law establishes three types of relief for joint filers: (1) innocent spouse relief, (2) separation of liability relief, and (3) equitable relief.

Innocent spouse relief excuses a filer from paying a tax deficiency attributed to items his or her spouse improperly reported or omitted from their joint tax return, thus requiring DRS to collect the deficiency from the other spouse. Separation of liability relief allocates the deficiency between the joint filers according to each individual's responsibility for the debt.

Equitable relief is for filers who do not qualify for innocent spouse or separation of liability relief. The DRS commissioner may grant equitable relief to such filers if, taking into account all the facts and circumstances, it is inequitable to hold them liable for all or part of any tax or deficiency.

## **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 38 Nay 0 (04/16/2015)